

Questions and Answers**Question Submission Deadline: October 5, 2010, 4:00 p.m. PST**

#	Date and Time Received (PST)	Bidder Question	State Response
Q1	10/1/10 9:15 a.m.	Our firm offers a Treasury Inflation-Protected Securities (TIPS) portfolio that we'd like to submit for this mandate. The portfolio currently has over 1.16 Billion USD in assets under management and it meets all of the strategy-specific requirements aside from requirement (a), which indicates that the investment strategy must have been provided for a minimum of five years. Incepted in September of 2006, our TIPS portfolio has a four year track record. Is it possible that our strategy would still be considered for this mandate given that it has a four year track record?	All proposing firms must meet the minimum qualifications as specified in the Request for Proposal (RFP).
Q2	10/1/10 12:00 p.m.	Are there plans for any Disabled Veteran Enterprise (DVBE) participation requirements as per CA SB 115, CA AB 21, and CA EOD-37-01?	All contract terms, conditions, and requirements are specified in the RFP.
Q3	10/4/10 2:04 p.m.	As of 7/31/2010 our firm managed about \$4 Billion in assets. Are we excluded from this RFP process?	All proposing firms must meet the minimum qualifications as specified in the RFP.
Q4	10/5/10 9:03 a.m.	Will the funds be invested in by the 457 and 401(k) plans, or will they be segmented into one or the other?	The Diversified Real Return Fund will be an investment option available to participants in both the 457 Plan and 401(k) Plan. Assets will be held in a Master Trust for all Plan assets.
Q5	10/5/10 11:47 a.m.	We understand that you will consider institutionally managed separate accounts. This is the only way that we can deliver our proposed strategy. The proposed strategy uses only publicly-traded, daily-priced securities, easing an administrators ability to strike an NAV but can you confirm that your custodian/administrator can meet your daily valuation needs for separately managed accounts?	The Department of Personnel Administration's (DPA) custodian strikes the unit value for separate account vehicles.

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Q6	10/5/10 11:48 a.m.	With respect to the definition of 'real return'. Our proposed GTAA strategy attempts to add 1% - 3% return over a benchmark (65% MSCI/35% JPM Global Government Bonds) by tactically allocating assets to global markets judged likely to outperform. Since inception, our strategy has outperformed that benchmark by 1.68% annually and has outperformed U.S. CPI by 4.70% annually. While our aim is to produce consistent positive returns, and historically we have generated real returns in excess of 4%, we do not pursue an absolute return objective and do not employ shorting in the portfolio, something that is usually necessary for an absolute return mandate. Would DPA be able to consider such a mandate for this proposal?	All proposing firms must meet the minimum qualifications as specified in the RFP. A performance objective of consistent returns using a tactical approach to globally diversified assets is similar enough to a performance objective of absolute or real returns using globally diversified assets. We do not require shorting to be used in this mandate.
Q7	10/5/10 1:16 p.m.	For item 5 in Exhibit 5-B, (Strategy Specific Questionnaire - TIPS) you have requested assets as of July 31, 2010. Since we provide asset levels on a quarterly basis only (i.e. June 30, 2010), we are looking for confirmation that this will not preclude us from consideration.	July 31, 2010 data is preferred but June 30, 2010 is allowable.

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Q8	10/5/10 1:54 p.m.	<p>1. Is there a target percentage breakdown between the different asset classes? (ex. TIPS, Commodities, GTAA, Dedicated Real Assets)</p> <p>2. Total assets in the SPP total plan was \$6.8 billion but the DRR is targeted at \$50-\$100mm. Is the DRR anticipated to grow to a larger portion of the overall SPP, and if so, is there a target schedule with anticipated asset levels?</p> <p>3. Do you have an investment vehicle preference between a Delaware Limited Partnership, 1940 Act Mutual fund, or Collective Investment Trust?</p> <p>4. Is there a preference for a provider that can provide all solutions versus trying to find superior individual managers for each investment strategy?</p>	<p>1. Please review RFP Section I.D.5. for information about asset mapping to the new investment.</p> <p>2. Please review RFP Section I.D.5. for information about asset mapping to the new investment.</p> <p>3. All proposing firms must meet the minimum qualifications as specified in the RFP. There is no vehicle preference.</p> <p>4. All proposing firms must meet the minimum qualifications as specified in the RFP. There is no provider preference.</p>
Q9	10/5/10 1:57 p.m.	With regards to subsection (iii) of Section 1 Indemnification (Third Party Claims) of Exhibit D, Special Terms and Conditions (page 41), is it your intention to include Brokers and/or custodians in the class of "other persons furnishing or supplying services"? Would a Proxy servicing Agent who has no discretionary authority and votes proxies in accordance with a contractor's policies and procedures be included in this provision?	Attachment 2, Exhibit D, Item 1 does not provide for exclusions for the types of the Contractor's subcontractors or other third-party entities.

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Q10	10/5/10 1:57 p.m.	With regards to Section 5 Termination of Exhibit D, Special Terms and Conditions (page 42), please clarify what constitutes “reasonable cause”? Please confirm that if the DPA sought to impose requirements on the Contractor that was not an agreed upon term of the Agreement, the Contractor's inability or refusal to accept the new requirement would be considered a “reasonable cause” for termination?	DPA will consider all factors when determining if the cause for termination is reasonable. However, reasonable cause shall not include previously agreed upon contract terms, conditions, and requirements.
Q11	10/5/10 1:58 p.m.	With regards to Section 5 Termination of Exhibit D, Special Terms and Conditions (page 42), please define and provide examples of “search/replacement costs”? Does this include transaction costs to transition to a new manager?	Search/replacement costs include cost associated with DPA conducting a fund search to replace the Contractor and may also include transaction costs to transition to a new manager.
Q12	10/5/10 1:58 p.m.	With regards to Section 7 Errors and Omissions of Exhibit D, Special Terms and Conditions (page 42), is it your intention to include Brokers and/or custodians in the class of “agents, assignees, subcontractors, and any other person, firm, or corporation”?	See response to Q9.
Q13	10/5/10 1:58 p.m.	Please confirm that the Custodian will be responsible for cutting the daily NAV for a Separate account vehicle. Please clarify whether the NAV will be cut post deduction of the Management fee.	See response to Q5. DPA’s custodian is responsible for the daily accrual of fees associated with separate account vehicles, including investment management fees.
Q14	10/5/10 1:58 p.m.	What is a ‘market value adjustment’ (MVA) as described in section C.5 – Mandatory Licensing, Experience, and Business Requirements of II. Minimum Qualifications for Proposers (page 11)? Does it apply only to mutual/commingled funds?	MVA generally means a charge levied on a withdrawal of some, or all, of DPA’s asset. This typically would not apply to separate account vehicles.

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Q15	10/5/10 1:59 p.m.	Will a Contractor be notified prior to the release of its proposal information in response to a Public records request. Does the DPA challenge the release of the information? Will the Contractors be allowed to submit a challenge to the release of their information prior to its release?	A Contractor's would not be notified prior to the release of public information. DPA would not, nor would the Contractor be allowed to, challenge the release of information made in accordance with the Public Information Act.
Q16	10/5/10 1:59 p.m.	Are there any statutory limitations / restriction in the manner in which the Contractor may manage the Account?	See response to Q2.
Q17	10/5/10 2:06 p.m.	Section 2 states the following: "While the plan is not subject to ERISA, the department intends to operate as though it were. As such the Contractor shall acknowledge its fiduciary role insofar as the advice and dealings with the Department, and the handling of plan assets." Will the Department agree to add the following language to the end of the sentence? "in the same manner as Contractor would as if the Plan was subject to ERISA."	DPA would consider the proposed alternative language or something similar.
Q18	10/5/10 2:11 p.m.	How much will be allocated to TIPS in the Diversified Real Return Fund?	See response to Q8.
Q19	10/5/10 2:12 p.m.	Will participants be required to elect a new investment allocation based on the introduction of the new Diversified Real Return Fund?	No.

#	Date and Time Received (PST)	Bidder Question	State Response
Q20	10/5/10 2:13 p.m.	In order to help us conduct a thorough review of the proposed contract between the contractor and the State of California DPA, we would be grateful for clarification from the DPA as to which terms of the contract, if any, are negotiable. For example, we understand that Exhibits C and D are not negotiable and that a contractor that proposes alternate contract language will be deemed to have submitted a disqualifying counter-proposal. However, Exhibit G appears to allow the contractor to submit the contractor's standard investment advisory agreement and guidelines and contemplates that the same are to be negotiated and incorporated into the DPA standard contract. Would this process permit amendment of the DPA standard contract? How do the contractor's investment advisory agreement and the DPA's standard contract relate to each other?	<p>The contract terms, conditions, and requirements as provided in Attachment 2 are non-negotiable.</p> <p>Attachment 2, Exhibit G (Investment Advisory Agreement for separate account vehicles) would be amended to ensure there are no terms/conditions/requirements that conflict with DPA's terms/conditions/requirements. The amended advisory agreement would then be incorporated as Exhibit G to the contract.</p> <p>Firms proposing a separate account vehicle, should refer to Attachment 2, Exhibit A-1, Item 22 for order of precedence language. Exhibit G (Discretionary Investment Advisory Agreement) was omitted in error from Item 22. However, it will be included in the order of precedence language following Exhibit F (Contractor Evaluation) to the Standard Agreement in the final contract.</p>
Q21	10/5/10 2:21 p.m.	<p>Section 16 of EXHIBIT A-2, SCOPE OF WORK for Mutual Fund Vehicles states: "Contractor shall make available, in a format acceptable to the Department, information and materials necessary to inform participants of the Fund."</p> <p>Please quantify specifically what is being requested here and how this differs from Section 13 regarding Contractors bearing their proportionate share of communication costs.</p>	<p>Savings Plus Program's (SPP) participant communication materials include such items as fund fact sheets. The Contractor must provide information needed for the Diversified Real Return Fund fact sheet and other information as requested by SPP. The Contractor's requirement to provide such information is separate from the requirement to bear its share of communications costs.</p> <p>Find additional information about SPP's investments on the SPP website (www.sppforu.com).</p>

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Q22	10/5/10 2:26 p.m.	In Section II, C (Mandatory Licensing, Experience, and Business Requirements), item 1 states, "Must not be a broker or any third party selling another company's fund." Question: As an affiliate of a broker will this disqualify our firm from the search?	No. All proposing firms must meet the minimum qualifications as specified in the RFP.
Q23	10/5/10 2:27 p.m.	Section 20 of EXHIBIT A-2, SCOPE OF WORK for Mutual Fund Vehicles states, "Revenue sharing in the amount of at least _____ basis points is paid by the Contractor to the Department." Will the following alternative language, or something similar, be acceptable to the Department? "Administrative Fee Payments not to exceed XX basis points will be paid by the Fund to the Recordkeeper for the Plan."	DPA would consider the proposed alternative language or something similar.
Q24	10/5/10 2:33 p.m.	We currently delegate back office services (i.e. for portfolio reconciliation) to a third party provider. Kindly advise that such delegation would not be considered subcontracting, particularly as it relates to Exhibit C, 7 (page 38 of the RFP).	See response to Q9.
Q25	10/5/10 2:36 p.m.	In Section 9 of EXHIBIT A-2, SCOPE OF WORK for Mutual Fund Vehicles, will the Department agree to amend the language as follows? "9. The Contractor shall post incoming deposits promptly and accurately to the Fund with prior day pricing/crediting if instructions are received by the Contractor by 8:30 a.m. (ET) or the NSCC cut off time, whichever is earlier, on Trade Date +1 for daily transactions."	DPA would consider the proposed alternative language or something similar.

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Q26	10/5/10 2:38 p.m.	In Section 19 of EXHIBIT A-2, SCOPE OF WORK for Mutual Fund Vehicles, will the Department agree to end the following sentence at the end? "Any increases to the expense ratio is subject to the Fund's Board of Director's approval."	DPA would consider the proposed alternative language or something similar.
Q27	10/5/10 2:38 p.m.	Our firm offers a Treasury Inflation-Protected Securities (TIPS) portfolio that we'd like to submit for this mandate. The investment category description in the RFP for TIPS notes the benchmark as the Barclays US TIP Index. Our strategy is benchmarked against the Barclays 1-10 year index and this is our preferred benchmark. Compared to the overall TIPS Index, the 1—10 Year TIPS Index has a lower real yield duration with only a slightly lower yield, and we believe that it provides a better risk/reward fit for the overall TIPS strategy. Importantly, the Barclays Capital US 1—10 Year TIPS Index includes more liquid securities that still allow investors to target inflation-sensitive objectives. Would it be acceptable to propose a TIPS product benchmarked against the Barclays US TIP Index?	Yes, it is acceptable to propose a strategy benchmarked to another U.S. TIPS benchmark.
Q28	10/5/10 2:49 p.m.	With regard to the GTAA vehicle, can you please elaborate on the types of asset classes which will comprise the portfolio? Is it required that there be an equity component, or is an absolute return strategy comprised solely of fixed-income securities and derivatives acceptable?	A broad array of asset classes is expected to be included in the portfolio, but there are no specific limits or requirements.
Q29	10/5/10 2:49 p.m.	With regard to clause 3 of the scope of work portion of the RFP, does DPA define unlimited discretion as including the ability to execute investment documentation such as master trading agreements or brokerage documentation?	Attachment 2, Exhibit A-1, Item 4, includes the Contractor's execution of agreements necessary to manage the Account.

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Q30	10/5/10 2:50 p.m.	With regard to clause 12 of the scope of work section, can you please clarify what format the DPA would deem acceptable?	See response to Q21. DPA makes every attempt to ensure that the format for requested information is reasonable.
Q31	10/5/10 2:50 p.m.	<p>With regard to clause 14, and taking into note the schedule of fees provided on page 12 can you please provide a clarification of the communications costs?</p> <p>Can you provide estimates of what these costs might reasonably be expected to amount to?</p> <p>How are these fees calculated?</p> <p>Is there an annual cap?</p> <p>Approximately how many managers would these fees be split among?</p>	<p>We are unclear as to the clarification you are requesting.</p> <p>See RFP Section III.B. for information regarding communication costs.</p> <p>See Attachment 2, Exhibit A, Items 12 or 13 (depending on vehicle type), for information regarding the calculation of communication costs.</p> <p>There is no annual cap. See RFP Section III.B.</p> <p>See RFP Section I.A. Find additional information about SPP's investments on the SPP website (www.sppforu.com).</p>
Q32	10/5/10 3:07 p.m.	<p>The RFP indicates that although the Plan is not subject to ERISA, the Department intends to operate as though it were. Are there specific sections of ERISA the Department intends to rely upon beyond the definition of "fiduciary", such as section 406 (a) dealing with prohibited transactions with parties in interest, or does the Department intend to apply all ERISA requirements? Can the Department clarify this?</p> <p>Assuming section 406(a) of ERISA applies, will the Department identify parties in interest ?</p>	This language is to ensure that DPA receive the same treatment as a party subject to ERISA and is not with reference to specific sections.

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Q33	10/5/10 3:07 p.m.	Would it be acceptable to propose a TIPS product benchmarked against the Barclays US TIPS 1-10 Year Index? The investment category description in the RFP for TIPS notes the benchmark as the Barclays US TIPS Index. Our TIPS strategy that we hope to propose is benchmarked against the Barclays TIPS 1-10 year index and this is our preferred benchmark. Compared to the overall TIPS Index, the 1—10 Year TIPS Index has a lower real yield duration with only a slightly lower yield, and we believe that it provides a better risk/reward fit for the overall TIPS strategy. Importantly, the Barclays Capital US 1—10 Year TIPS Index includes more liquid securities that still allow investors to target inflation-sensitive objectives.	See Q27. Yes, it is acceptable to propose a strategy benchmarked to another U.S. TIPS benchmark.
Q34	10/5/10 3:08 p.m.	What is the Department's policy on soft dollars, in particular with respect to a Manager's ability to take research into account in determining best execution?	For firms proposing a separate account vehicle, DPA will address soft dollar policies as part of the process to incorporate Exhibit G (Discretionary Investment Advisory Agreement) into the contract.
Q35	10/5/10 3:08 p.m.	The RFP appears to prohibit any alteration to the form contract. Will the Department consider additional clarifying provisions to the contract language?	<p>The contract terms, conditions, and requirements as provided in Attachment 2 are considered non-negotiable. DPA does not believe that further clarification is needed.</p> <p>As specified in the RFP, firms must certify acceptance (Attachment 1) of DPA's contract (Attachment 2) in order to be considered in the search process.</p>
Q36	10/5/10 3:39 p.m.	Under the category of Dedicated Real Asset fund, will you accept specific strategies, like a U.S. REIT discipline or a Natural Resources stock fund, as long as each strategy meets your minimum criteria?	All proposals that meet the minimum qualifications will be considered. Proposals that include diversification of asset types are likely to receive higher scores.

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Q37	10/5/10 via FedEx 9:25 a.m.	Will the cash liquidity pool be established at the fund-of-fund level (Diversified Real Return Fund), or at the mandate level, i.e. the GTAA fund?	DPA intends to designate a liquidity sleeve for the Diversified Real Return Fund at the fund-of-fund level.